PX041

(Google's Proposed Redactions)

Future of Display Ad Products: GDA, DV3, Uberversals

Background

There has been good progress to align the initial Cramalgam approach across Core GDA and DV3- enterprise. This approach includes separate campaign types for Core Display (GDA) in Google Ads and RTB-Enterprise (DV3) in GA360 with a Pragmatic Superset approach.

DV's long term strategy is for DV3/Cramalgam is to serve all of LCS, while Uberversals is intended for all GCS. If this segmentation is successful, GDA growth could be squeezed from both ends.

Although this 2 product/customer segmentation approach may seem clean, there are important considerations to evaluate. The main areas to evaluate are customer needs, competitive positioning, identity, anti-trust/competition, margin/revenue, sellside inventory impacts and cost to Google to achieve this end state.

Customers

A 2 product solution (DV3/Cramalgam & Uberversals) does not directly solve key customer needs that the GDA product addresses:
- GCS advertisers that require *some control* (spend/budget control, targeting, etc.) and may not all be satisfied (at least initially) with Uberversal's full automation model. GDA strives to build trust in automation through simple features like audience hints/suggestions, insights, mix of auto/image creative.
- LCS advertisers have a wide spectrum of needs that largely don't utilize enterprise features (markups/margins, sophisticated budgets, frequency caps, etc.) These *complex features* could disrupt the simplicity of the advertiser campaign construction flow, dissatisfaction and confusion.
- Advertisers that continue to plan/budget and measure performance by *channel* (display, search, etc.).
- Some GDA *essential features* (today) may not be prioritized for Cramalgam: Automation/SDC, RDA, PPC/PPV, Feed-based ads, auto-targeting, etc.

Competitive Position

GDA and DV3 are positioned differently in the marketplace and do not share the same competition. GDA competes primarily with O&Os/Ad Platforms like FB and AMZN on a pure performance basis. DV3 competes with other DSPs, agency trading desk solutions including TTD, Criteo, MediaMath, Xandr. It is positioned as a brand buying platform that focuses on CPM, reach and brand lift first with performance as a secondary use case.

Customer segments vary between these two products as well. GDA is primarily direct to advertiser with ▆▆▆ of revenue coming from GCS and the remaining on LCS direct advertiser and smaller agencies. DV3 is ▆▆ large agency holding companies and ▆▆ large direct advertisers.

~60% of DV3 users log into Google Ads one a monthly basis. 40% of DV3 users use the platform exclusively. So why do these advertisers use both? Advertiser buy display/video on Google Ads in addition to DV3 to: 1) Save on DV3 platform fees when buying YouTube, 2) Better perceived lower-funnel performance on Google Ads, 3) Access to Google Ads inventory and features (source).

Anti-Trust/Compete
DV3 is a platform provided to many buyers in the Display ecosystem. This positioning and product offering places some constraints on how we approach our product solutions and investments.

Identity
Display advertising is under pressure to evolve as the identity landscape is changing. The promise of DSPs has been broad reach, focused targeting and customization. The 3rd party cookie changes will likely have a considerable impact on the key value/product story where "control" features focus on specific targeting/audiences, custom bidding and 3P measurement. It is likely that enterprise advertisers will need to shift a larger portion of their budgets to networks like GDA to find performance at scale. Automation and LPA solutions are expected to gain momentum as advertisers need to lean on larger ad platforms that have vast data to find performance ad opportunities.

Fees/Margins
DV360 has worse overall margins. It has higher overall margins than GDA on all channels except AdX and 3PE, but these are the two biggest channels. On AdX, the margin is not terrible currently, but AdX is exploring moving to a ▮▮ sell-side margin at which point the contrast will widen (▮▮ The biggest difference is on 3PE, which explains about ▮▮ of DV360 OA spend. Source: Fee Structure issues on Cramalgam (Nirmal)

- Net margin lower for enterprise advertisers: Suppose DV360 resides as the enterprise campaign (the campaign structure doesn't matter - this is true as long as CPM buying is an enterprise feature), it is very likely that the net margin might be lower for the enterprise advertisers than the base advertisers (that use GDA campaigns). This may be OK, however, since the network margins are opaque, and it could seem as if the enterprise users are charged a platform fee of ▮▮, which doesn't exist on GDA.

- Margin for GDA campaigns for enterprise advertisers: When base users use, say, fixed CPA, they pay something like a ▮▮ margin. When enterprise users use the same fixed CPA campaign, they will have to pay the above ▮▮ margin + a ▮▮ extra enterprise fee (this is the Amalgam design). But this will create a little bit of inconsistency in what additional margin gets charged when. For instance, they pay a ▮▮ fee when they pay by impression and a ▮▮ fee when they use fixed CPA (in addition to the hidden network fee). This could become quite confusing.

Selllside (Network inventory)

███
██
██.

Ad Spam

██
██.

Cost to Build
Early Cramalgam investment estimates were somewhere between 2-5 years.